

Redmond Social Enterprise Project Business Plan

*Conceptualized and designed by a
community-based team to generate a
sustainable, reliable, funding source for
programs that support Redmond's youth*

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I. EXECUTIVE SUMMARY

Funding for vital services to many of Redmond's low and moderate-income families has been severely cut in the past several years, with services to youth disproportionately reduced. In 2002 alone, three of Redmond's main youth prevention programs were lost due to funding cuts.

As a result, several of the community's corporate, education, nonprofit, government and faith-based leaders came together in mid-2003 to determine if developing a community-based social enterprise would generate new funds to support programs serving Redmond's most vulnerable residents. Since youth programs had experienced the most devastating cuts, they were selected as the first "target" area.

Project Goals

1. **Profitable** – Develop a social enterprise that will be profitable and direct the profits to Redmond-based prevention services for at-risk youth.
2. **Youth-focused** – Develop a concept that will provide opportunities for Redmond's youth to learn entrepreneurial skills.
3. **Scalable** – Scale the project to start small and have limited overhead that will eventually lead to a larger vision that can be replicated across the Eastside and beyond.
4. **Community-building** – Ensure that the development process and resulting business will build community and allow for input from stakeholders in all sectors of the area.

These goals reflect the intents of the project team, stakeholder groups and others who have provided input to the process.

The Business

A site for a small, walk-up and take-out cafe/espresso stand was available at the new Overlake Transit Center in Redmond, located near the area's major employers, including Microsoft, Nintendo, Safeco and Group Health. The Greater Redmond Transit Management Authority (GRTMA) and Sound Transit, the agencies that own and manage the site, heard about Redmond's community social enterprise project offered the site to the project rent-free and also offered access to a funding source that would provide for two years' worth of utilities. The project team decided the site fit their criteria for the type of business they wanted to operate and moved to secure the Overlake Transit Center location.

A market analysis was conducted both at the transit center site (see Appendix A) and with employees at Nintendo, Microsoft and other area businesses (see Appendix C). Based on this analysis, the Redmond Social Enterprise Project (RSEP) team has developed a business concept that includes:

1. **Business concept that draws customers to the site** – This includes providing fast, easy access to products and services that transit site commuters, employees and residents of the area either cannot get on their job site or that would otherwise require driving to area retail centers that include traffic delays and parking issues. In addition, the cafe will offer delivery service to local employers and residences in order to increase sales and awareness of the cafe.

2. **Oversight by community, run by experts** – The RSEP has developed a “business in the box” structure with which to run the cafe. A community advisory board will oversee the concept development and profit allocation. The daily operation of the business will be run by an operations partner that has a successful business record and a history of supporting social missions. The later will be hired through a bid process led by the advisory board.
3. **Scalable approach to meeting community needs** – The RSEP cafe can be relatively easily expanded to include branding opportunities, partnership/vendor offerings and new locations across Redmond. In the longer-term, the model is one that can eventually be replicated in other cities around the Eastside and across the country. The RSEP views this cafe as the first step in developing an innovative, proactive, scalable approach for communities to engage in that will help meet some of their needs. They will begin by expanding the concept in Redmond, then replicating this concept in other communities on the Eastside and will eventually explore the feasibility of replicating it more broadly.

Opportunities for Support

The RSEP provides community members a unique opportunity to support a local business, as well as services for the community's youth. The entire project has been designed to allow for broad input and support from all aspects of the community, thereby creating a sense of place and a level of stakeholder involvement not realized by most small businesses. Opportunities for local support include:

- **Time and expertise** – The RSEP has many opportunities for community members to donate their time and expertise. A few of the opportunities include providing small business expertise consulting, marketing assistance, legal and accounting support and being a part of the oversight committee.
- **Equipment** – In order to achieve profitability more quickly by minimizing start-up costs, the RSEP is looking for companies or individuals who can donate equipment to the cafe including an espresso machine, refrigeration units, display cases and a cash register.
- **Funding** – Many opportunities exist to assist with start-up costs (see Page 22), cover operational expenses (see Appendix J) and direct donation to meet the needs of Redmond's youth. Funding in any of these areas represents an opportunity that leverages giving dollars by helping the business become profitable more quickly. The faster the cafe and subsequent investment opportunities become well-known business ventures, the greater the increase in support for Redmond's youth.

II. SOCIAL ENTERPRISE TO MEET A COMMUNITY NEED

The idea for this business started with a community need and has turned into a business concept that is truly a community effort. The following section provides an overview of how the community came together to approach social enterprise as a way to better serve their youth.

The Problem

Programs and services that are proven to protect young people from high risk behaviors have been disappearing in Redmond; of the services that remain, many are vulnerable to cost-cutting measures. Without action, we are on a collision course between rising numbers of children at an unacceptable level of risk, and dwindling traditional resources to serve them. That is the impetus behind this community effort with the goal of creating a sustainable, reliable funding source to support programs that help youth thrive. There is a saying, "Where there's a will, there's a way." In Redmond, we're bringing that concept to life. There is a *will* among multiple sectors of our community to collectively and proactively generate revenue to support the programs we value. And we believe the way to do it is to **earn** the money through a community-driven business venture.

Indisputable link.

The Developmental Asset Model provides a context for understanding the relationship between the kinds of supports families, schools and communities provide for young people, and their behavior. There are 40 assets, or "ingredients," that all youth need in order to become caring, competent and healthy adults. These are things like connections to caring adults, feeling valued, having useful roles in the community, positive peer influence, etc. The more assets a young person has, the more likely s/he will engage in thriving behaviors. The fewer the assets, the more likely s/he will engage in risky behaviors such as drug/alcohol abuse, violence, anti-social attitudes, etc. Clearly, it is the negative behaviors we are seeking to prevent.

In late 1999, 9th and 11th graders in Redmond participated in a survey to quantify how many assets they have. Ideally, all youth would have at least 31 assets, however, only 10% in this survey met that goal. 33% had between 21-30 assets, 44% had 11-20, and 14% had 0-10 assets. The overall average was 19.3 assets. The survey was taken at a time when a fairly solid set of community-based services directly tied to building assets was still intact.

We're losing ground.

Since that time, several key programs have been lost due to funding cuts. One program connected 190 youth/families with community supports, and another provided 10,000 hours of mentoring to keep high risk youth in school and achieving academic success. A violence prevention program that kept 95% of the youth from re-offending lost nearly all its funding at the same time it experienced a 22% increase in requests for service. Many other programs providing critical services to our youth and their families have somehow survived, but remain vulnerable to cost-cutting measures.

Rather than enriching and multiplying the services and supports known to build assets in youth, the system in Redmond is weakening. This trend must be reversed. It is simply unacceptable that hundreds of our youth do not even have their basic needs of food and shelter met, let alone be provided with tools to help them make positive choices in their lives.

It's time to take control.

The traditional means to solve this discrepancy between community need versus available resources would be to approach public and private funding sources, and hope to raise funds to support a variety of programs. However, given the slow economy, the scarcity of resources and fierce competition for those that are available, such an approach is neither realistic, nor is it a long-term solution. At best, program holes could be "plugged" for a year, but then the search for funding would need to start all over again.

For that reason, members from the city, corporate, education, service and faith-based communities in Redmond are banding together to collectively and proactively resolve this problem. **Our goal is to generate a sustainable, reliable source of funding for programs and services targeted at raising the number of assets youth in Redmond have.** Rather than solicit the money from other sources, we have decided to earn it.

Community benefit.

Youth won't be the only beneficiaries from this project. Healthy children and families are key components of healthy communities, and healthy communities set the stage for businesses to thrive.

Organizations and businesses that have a history of investing in community programs and services will now be able to see those investments leveraged. RSEP is an alternative to the need for ongoing, yearly support of individual programs. Once the project is capitalized, it will generate its own ongoing revenue.

Everybody wins.

Most importantly, money will be available to provide necessary supports and services for Redmond's youth. Beyond that, agencies will benefit from a predictable, sustainable source of revenue. Funders of community-based programs will have a viable alternative to address ongoing requests for funding. Our quality of life in Redmond will improve, and our city will become an even more attractive place to live and work.

III. BUSINESS GOALS AND OPPORTUNITY

In late 2003, the City of Redmond provided funding for and issued a Request for Proposals to engage a consultant to help the community determine:

1. Whether there is adequate community interest and resources to support the planning and implementation of a social enterprise, and
2. What type of social enterprise the community would support

Lauren Kirby, of the City of Redmond, and Randy Phillips, a local minister, selected Kirsten Gagnaire, of Social Enterprise Group, LLC (SEG) to lead the community through the initial stage of this project. Out of this process, the Redmond Social Enterprise Project (RSEP) was formed. Lauren, Randy and Kirsten then became the core project team who guided the remainder of the project and business plan development process.

The RSEP core project team developed a process which brought together two separate groups of stakeholders that included representation from:

- **Resource Stakeholders** – Stakeholders from the small business, corporate, service club and faith-based communities who were identified as those who would be able to bring resources—either in-kind or financial—to the project.
- **Youth-serving Stakeholders** – Stakeholders from youth-based organizations, churches and schools who could provide the perspective of what type of business would be able to support youth services and how proceeds could be allocated.

Goals

Input from these two groups of stakeholders was used to provide the framework for moving forward and for developing overarching project goals that could be supported by the community. In light of these project goals, the business should be:

1. **Profitable:** Develop a social enterprise that will be profitable and direct the profits to Redmond-based prevention services for vulnerable youth.
2. **Youth-focused:** Develop a concept that will provide opportunities for Redmond's youth to learn entrepreneurial skills.
3. **Scalable:** Scale the project to start small and have limited overhead that will eventually lead to a larger vision that can be replicated across the Eastside and beyond.
4. **Community-building:** Ensure that the process and business will build community and allow for input from stakeholders in all sectors of the community.

The Opportunity

The business concept, financials and market analysis outlined in this business plan represent the first cafe, to be housed at the Overlake Transit Center. This is the pilot site for what will likely become a scalable, replicable project in Redmond and beyond (see Section IX for details).

A few months into the RSEP, an opportunity arose that appeared to be a synergetic fit between the project goals and a recently developed site at the Overlake Transit Center. Sound Transit and

The Greater Redmond Transportation Management Association (GRTMA) partnered with the City of Redmond and the Federal Transit Administration to construct a Commuter Service Building located at the Overlake Transit Center (15592 NE 36th Street in Redmond) between highway 520 and the Microsoft Campus. The building is in the heart of the transit center that includes a 274 space Park & Ride, transit service provided by Sound Transit and Metro, and is the hub of the Microsoft-operated employee shuttle network. The GRTMA currently estimates traffic of approximately 5,000 users per day and believes that number will steadily increase to 10,000 users per day. In addition, recent developments, such as the addition of an REI-operated bike services center, have contributed to the development of the transit center as a hub to support area bike commuters (see Appendix F for traffic pattern study results).

Members of the GRTMA heard about the RSEP and suggested that there might be a fit between this project and retail space available at the transit center. After the initial meetings between the GRTMA and members of the RSEP project team, the GRTMA indicated that they supported the community aspect of the RSEP and were interested in making the space available for RSEP as it develops a business venture.

The Space

The GRTMA stated that they were interested in having a business that would provide services to support commuters and have offered the following space to the RSEP rent-free. Additionally, it is likely that grant funding is available to donate utilities to the space for up to two years. The space available (see Appendix G for site photos and specifications) includes:

Retail Facilities – 183 square feet*

- Designed for retail snack and specialty coffee sales
- Walk-up window accessible from the outside
- Exterior door with entrance to small lobby area
- Interior door that exits to the lobby of the transit building (space available for two to three small tables)
- Space for limited convenience items (e.g.: newsstand, take-out sandwiches and dinner items)

* Note that square footage calculations do not include common areas or washroom/bike changing room for purpose of rent/fees/tax calculations

Negotiations are underway to transfer leasing authority of the proposed site from Sound Transit to the City of Redmond. The City already has leasing authority of the spaces occupied by the GRTMA offices and police station, which are located in the same building.

The business will provide an opportunity to train and employ youth. Products will be provided via strategic partnerships with locally-based businesses and the site will serve as a place to highlight the issues facing Eastside youth and demonstrate ways in which the proceeds from the business are being applied to addressing these concerns. In total, this site has the potential to meet a market demand, bring Redmond's community together and provide an alternative funding source for youth prevention services.

IV. MARKET RESEARCH

As a part of the development of this business plan, a market analysis of the Overlake Transit Center area was conducted in March and April of 2004. Students from Redmond High School's chapter of DECA, an internationally-affiliated association of marketing students, assisted with the market survey by reviewing and providing input on the actual survey content and by conducting surveys at the Transit Center site.

RSEP believes that this market analysis provides a conservative set of numbers. Several factors contributed to the survey numbers being conservative and a belief that real customer numbers are likely to be higher. The market analysis numbers were low due to the following factors:

- **Intercept method survey was conducted following a holiday week** – Several of the foot traffic surveys were conducted during the week of the Eastside schools' spring vacation. As a result, many workers were on vacation and traffic volumes were not as high as a typical week.
- **Transit numbers increasing** – According to the GRTMA, use of the transit site is beginning to pick up. This new site was opened in February 2004. The GRTMA is implementing several programs to increase commuter usage of the transit center, including opening a bike station this summer that will be operated by REI. The bike station will provide a place for bikers to clean up, store their bikes and receive services related to the maintenance of their bikes. This should increase the number of bike commuters in the transit center area. The GRTMA estimates current users of the site to be 5,000 people per day and expects overall usage will climb to 10,000 within the next few years.

The primary market analysis included the following types of surveys:

1. An **intercept method survey**, conducted by approaching passers-by in front of the transit center site (see Appendix A for a blank survey). The surveys were gathered on two mornings and two evenings, between the peak commuter hours of 7:45-9:45am and 4:00-6:00pm.
2. An **online survey**, distributed via Microsoft and Nintendo's internal distribution lists (see Appendix B for a blank survey).
3. A **phone interview** survey was conducted with the transit representatives of each of the major employers in the area. Those that could be reached and completed the phone interview included Safeco and Nintendo (see Appendix C).

In all, nearly 200 individuals completed one of the surveys noted above. Questions on each of the survey types were similar and all were tailored to gather more information about the following questions, relative to the specific business scenarios under consideration:

- How often do they go through the transit center site? If they don't use the site, what would compel them to visit the site?
- What kinds of products or services would they purchase at the site?
- What aspects of the business are most important to them and would help them decide to purchase from the cafe vs. at their job site or another area business?

A secondary market analysis was also performed. This included consulting GPS maps of area businesses and conducting drive-by research to document the following aspects of the market and competition in the transit center area:

- **Employers** – Who are the primary employers in the area and what kinds of products and services do they offer on the campuses?
- **Housing** – What type of housing is available in the immediate area?
- **Businesses** – What other kinds of products and services are available in the area and how convenient (e.g. distance, parking, traffic) are they?

Market Analysis Findings

Findings for the market surveys and secondary market analysis are summarized below.

Market Surveys

The market survey findings for the intercept and written surveys are detailed in Appendices D and E. Key points from the market surveys include:

The most requested products/services were consistent across the market surveys. An overview includes:

- Espresso drinks
- Pastries/bagels
- To go or delivery lunches
- Take-home dinners
- Newspapers, books and magazines
- Celebratory items
- ATM access

The most important elements of a business were also quite consistent across both the intercept and online survey respondents. The most important aspect was to have a selection of healthy foods and beverages and vegetarian items. In addition to product offerings and fast and friendly service, respondents also indicated that the fact that proceeds were going to a social cause was an important factor in their buying decisions.

Additional Observations

Observations about the transit center traffic flow patterns and other information gathered while the survey team was at the transit center, during phone interviews, via GPS analysis and drive-by research includes:

- **Traffic patterns** – There was a lower than expected flow of overall traffic at transit center. This could be in part due to the fact that many of the surveys were conducted during a holiday week.

- **Microsoft Shuttles** – Many people who use the transit center are Microsoft employees and transfer directly from a bus to the Microsoft shuttles. The route from bus drop-off to boarding a shuttle does not take riders past the cafe site (see Appendix H). Therefore, the cafe will need to develop signage and other methods for getting riders to stray from their usual path to purchase products at the cafe before boarding a shuttle.
- **Parking and access from the street** – The current traffic pattern into and out of the transit center requires that car drivers take a lengthy route to get into the site (see Appendix H). Although there is adequate parking very close to the cafe, access to parking requires driving the circumference of the transit center. While there is a main drive, easily accessible from 156th street, that would bring drivers next to the walk-up window of the cafe, this drive is currently designated for transit access only. The GRTMA has indicated that they would be willing to discuss the possibility of opening that drive up to general traffic and allowing for a loading zone in front of the cafe. This would greatly improve access to the cafe for residents and other potential customers who may not use the transit center for commuter purposes but would find it a convenient site for purchasing coffee, etc.
- **Microsoft free beverages in all buildings** – Survey respondents who work at Microsoft indicated that an array of soda, basic juice beverages and drip coffee is available at no charge in every Microsoft building. Microsoft employees specifically indicated that they would want a higher quality coffee than is available in their buildings and would be interested in fresh juices and other products not available to them.
- **More wait time in the evening** – In the morning, transit center users appear to be in a hurry to get to work. On the other hand, evening transit users appear to be less harried while they wait for their bus to arrive. This slower pace provides a greater opportunity to provide convenience items such as snacks, newspapers and take-home meals to those commuters with a few extra minutes.
- **No other similar services for several blocks** – The nearest commercial core is several blocks away and requires that customers drive into an area that has extremely high traffic volumes, where parking is difficult and traffic lights are numerous (see Appendix I).
- **Residential areas** – Several apartment complexes and small neighborhoods also border the transit center site (see Appendix I). Many of these residents do not have easy access to convenience products and services and are another potential target market for the RSEP cafe.

Market Analysis Conclusion

In conclusion, the RSEP project team found that the RSEP site's challenges of currently low volumes and traffic flow issues can be appreciably offset by the potential customer base in the area and the fact that very few services are provided within a convenient distance to the site. One of the greatest challenges will be changing consumer behavior in order to get residents and employees in the area to think of the transit center and the RSEP cafe as a place to find fast, friendly access to healthy products and services that also benefit a very worthy social cause.

V. BUSINESS CONCEPT OVERVIEW

Drawing on the parameters provided by the stakeholder groups, the GRTMA space and market analysis, the RSEP developed a business strategy that combines and leverages the intent of the RSEP and the unique aspects of the GRTMA site.

The cafe concept meets a market need and can be profitable in the first year. It offers an additional advantage of helping customers feel good about their purchases, as all proceeds will be used to support vital services for their community's youth. An overview of the components that achieve a balance of social mission and profitability is provided below. Details of each component are provided, beginning in the following section.

1. **Business concept that draws customers to the site** – This includes providing fast, easy access to products and services that transit site commuters, employees and residents of the area cannot get either on their job site or that would otherwise require driving to area retail centers that include traffic delays and parking issues. In addition, the cafe will offer delivery service to local employers and residences in order to increase sales and awareness of the cafe.
2. **Oversight by community; run by experts** – The RSEP has developed a “business in the box” structure with which to run the cafe. A community advisory board will oversee the concept development and profit allocation. The daily operation of the business will be run by an operations partner with a successful business record and a history of supporting social missions. The later will be hired through a bid process led by the advisory board.
3. **Scalable approach to meeting community needs** – The RSEP cafe can be relatively easily expanded to include branding opportunities, partnership/vendor offerings and new locations across Redmond. In the longer-term, the model is one that can eventually be replicated in other cities around the Eastside and across the country. The RSEP views this cafe as the first step in developing an innovative, proactive, scalable approach for communities to engage in that will help meet some of their needs. They will begin by expanding the concept in Redmond, then replicating this concept in other communities on the Eastside and will eventually explore the feasibility of replicating it more broadly.

VI. PRODUCTS AND SERVICES

Drawing Customers to the Site

True to market analysis findings, the first component of the business concept outlined in Section V is one that draws customers to the site, and includes providing fast, easy access to products and services that transit site commuters and employees, as well as residents of the area, cannot get either on their job site or that would otherwise require driving to area retail centers that include traffic delays and parking issues. An overview of the business concept includes:

- **Provide core products that are provided by locally-known businesses.** RSEP is planning on teaming with local, community-based businesses to provide the core products. In exchange for offering their products at a reduced rate, the cafe business partners will have their products exposed to a customer base of people who tend to have higher-paying, professional jobs at one of the area's larger employers. Perhaps more importantly, they will be identified in the cafe and on marketing materials as businesses who are contributing to the community's youth. One of RSEP's next steps in the business development process is to identify businesses that meet the following criteria:
 - Have a superior reputation in the community
 - Provide high-quality products that are identified as being a part of the overall product offerings in the cafe
 - Are locally-owned and involved in the community
 - Value the social mission of the cafe
 - Will provide RSEP with a discount in exchange for being a part of a venture that meets a vital community need

In addition to using companies who fit the above criteria for core products, RSEP will also source products from larger, cost-effective vendors to provide "secondary" items such as soda, condiments, packaging, etc.

- **Develop a mix of products and services that will bring customers to the cafe.** This includes providing products and services that are not readily available at nearby businesses or on local campuses, such as Microsoft. Using the market analysis data, the RSEP has developed a mix of traditional cafe offerings, such as high-quality coffee and teas, fresh bagels and pastries and take-out lunches, as well as convenience items such as newspapers, celebratory items and services such as ATM access and take-home dinners. RSEP will regularly review the cafe's product mix and make adjustments in order to ensure the optimal mix of products is available to their customers. Due to space constraints, RSEP plans to purchase most products pre-made. For detailed product mix and pricing information, see Appendix J.
- **Offer delivery services.** The cafe will also offer delivery of convenience items such as boxed lunches, take-home dinners and, eventually, convenience services such as dry cleaning drop-off and pick up. Delivery will be structured as follows:
 - Offered two times a day, at 10:00am and 3:00pm. This will allow for maximum staff efficiency as the morning staff person can make deliveries at the end of their shift and the afternoon person can make deliveries at the beginning of their shift.

- Online ordering capability, with a set time that orders must be placed to ensure 10:00 or 3:00 delivery.
 - Delivery vehicle will be a Gem Car or similar small, economical vehicle that can also serve as a mobile marketing tool for the RSEP.
 - Delivery will be available in the immediate area, to major employers' campuses, such as Microsoft, Nintendo, Safeco, Honeywell and GroupHealth.
- **Provide fast, friendly service.** The RSEP will work to continue to develop methods for providing customers with fast and friendly services. This may include offering a pre-paid swipe card that will allow customers to more quickly to pay for cafe products. Customers may also have the option of preordering and prepaying for lunch and dinner items online so that they can quickly pick up their orders. The RSEP is also considering the possibility of adding a small newspaper and drip coffee cart on the corner where Microsoft employees board their employee shuttles. This would enable these customers to quickly grab a cup of coffee, pastry or a newspaper without having to walk out of their way to the cafe site.
- **Venue for educating the public about the needs of youth in the community.** In addition to providing fast service, the RSEP is committed to creating an organizational philosophy that caters to customer needs and leverages the social responsibility aspect of the business. Products and services provided at the RSEP cafe will be as good as or better than those available nearby. The main differentiating factor is that all proceeds of the RSEP cafe will be donated to organizations that provide vital services to the area's youth. Information highlighting the organizations that are selected to receive profits from the cafe will be available at the cafe and serves as an opportunity to highlight the needs of youth and the programs that are addressing those needs.

VII. ORGANIZATIONAL STRUCTURE

Oversight by the Community; Run by Experts

The RSEP has examined many options for potential organizational structures of the business. Given that this type of community-based approach to running a business is a relatively new approach, the RSEP has drawn on resources, such as the Seattle Foundation, to provide assistance in developing an organizational structure that meets the intent of the RSEP stakeholders and falls within legal restrictions for meeting a social mission and running a profitable business. Thus, the “oversight by community; run by experts” approach was developed. This structure was created to meet the following objectives:

1. Minimize bureaucracy and administrative responsibilities, while still providing solid community oversight and ownership
2. Direct the maximum amount of funds back into programs for kids
3. Govern by a diverse community board that can focus on the strategic direction and growth of the effort, rather than getting involved in the day-to-day operations of the business
4. Allow for maximum leveraging of community resources

Suggested Model

The RSEP, in cooperation with the Seattle Foundation, developed the following three-part recommendation for an organizational structure:

Establish a Donor Advised Fund with the Seattle Foundation

The first part of the recommendation provides for a way to enable donors and investors to contribute to the social mission of the RSEP while still receiving the tax benefits of normal charitable giving. The Donor Advised Fund will allow the RSEP to:

- Manage the profits of enterprise and redirect them to community programs based on direction given by a community board.
- Relieve the community board of tax/fiscal responsibilities; donors have the benefit of tax deductions because of the Foundation’s charitable status.
- Pay a 2% administrative charge that covers all functions performed by the Seattle Foundation. This fee is based on the dollar figure passed through the Foundation.
- Direct money purely to the social mission aspect of the RSEP. Money from this fund may not pay for activities of the community board, with the exception of minor expenses which must be approved in advance by the Seattle Foundation. Nor can the funds go to pay for any operational expenses of the business venture. All money must pass through to non-profits in the form of a charitable gift.
- Funds may be gifted to the business operator to offset operational costs only if the operator is a 501 (c) 3.

Create a Community Board

This aspect of the recommendation calls for the creation of a community board that will be charged with ensuring that the social mission of the RSEP is realized and that all activities, including business strategy decisions, positively impact the social intent behind the business. This includes:

- Directing the profits of the enterprise(s), via the Seattle Foundation
- Providing strategic direction for growth, using the social enterprise as a tool to raise funds to support community programs.
- Designing business opportunities, leveraging community resources, and raising as much capital as possible to launch the business venture(s).
- Selecting business operators
 - The community board would establish guidelines and a working relationship between the board and potential independent operators of the business ventures. Operators could include non-profit organizations, educational facilities (i.e. LW Technical College) or existing local businesses.
- Oversight of enterprises
 - Through agreement with all partners on the community board, one entity (partner) would hold the contract with the business operator on behalf of the board. If deemed appropriate by the board, the City of Redmond is legally able to fulfill this function. (See Appendix K for City legal precedence.) This is where the “teeth” to enforce the terms of the agreement with the business operator would be housed.

Delegate Business Operation

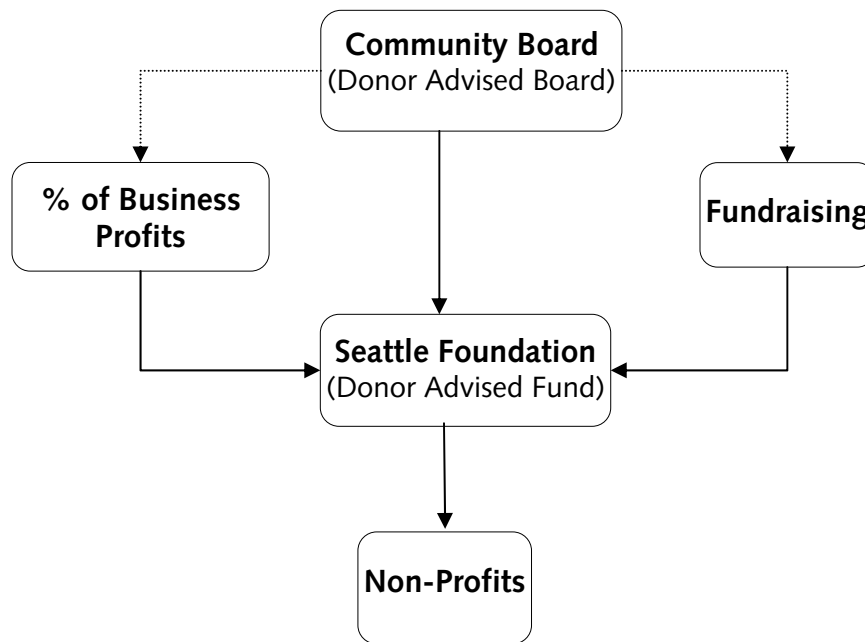
The final part of the recommendation is for the Community Board to put the business concept out to bid and select a business or organization to handle the day-to-day operations of the business. Key aspects of this include:

- Based on the business plan for the venture, the Community Board would establish criteria for an appropriate business operator and issue a Request for Proposal that details fiscal relationship/roles/responsibilities between business operator and community board.
- A competitive process would determine the business operator.
- Based on the contractual agreement with the community board, the business operator would have full responsibility for the running of the business, reimburse itself for agreed upon expenses and share of profits, with the balance being deposited into the fund held at the Seattle Foundation.
- As noted above, potential business operators could include non-profit agencies, educational institutions, or existing local businesses.

Organizational Chart

An overview of the relationships between the various entities involved in the community and business aspects of the RSEP is provided below:

Exhibit 1 – Redmond Social Enterprise Organizational Flow Chart



Community Board Members

The first Community Board was formed as a project Oversight Committee (see Appendix L) that had a limited set of tasks, designed to get the project off the ground and establish initial support. These tasks included:

1. Determining the organizational "home" for the enterprise
2. Determining the appropriate governance structure, given the type of home, and
3. Set the parameters for how the money will be distributed

This initial project Oversight Committee was made up of positions that represent the stakeholder interests in the RSEP. These positions include representative from the:

- **Faith-based community** – representing local churches and the vast skills, expertise and resources this community has to offer
- **Education** – providing input on how this project may affect youth and how youth should be involved and ways the project can be structured to provide input by and learning opportunities for the students.

- **Youth-serving organizations** – providing the perspective of the organizations who serve the community's youth and the ramifications this project may have on the organizations and the youth they serve.
- **Corporate community** – people who represent the major employers in and around the transit center site and who can provide valuable links to this important customer base and provide business expertise and resources to help start and grow the business.
- **City government** – providing the perspective of the City as a partner and facilitator in helping to move this project along. The City also has vital connections to the GRTMA and Sound Transit, the owners of the transit center site.

Once the project oversight committee's tasks are completed, the Committee will be restructured into a Community Board. The Community Board, like the Oversight Committee, will strive to be made up of positions that represent the various stakeholder entities. In addition to the oversight committee positions noted above, the Community Board will also seek out representation from:

- **Small businesses** – providing a perspective and expertise of the many small business owners and potential business partners in the community.
- **Service and Membership Organizations** – providing the perspective of the many service and membership-based organizations (e.g. Rotary, Chamber of Commerce) in the community and the vast pool of membership skills and resources these clubs represent.

VIII. OPERATIONAL CONSIDERATIONS

The operations of this site are similar to any small convenience cafe and will require the expertise of management who can regularly review and respond to customer demands, continuously improve service efficiency while maintaining friendliness and ensure that the business remains as profitable as possible. The operational partner that is selected for the business will have some latitude in developing daily operational guidelines, within parameters set by the RSEP Community Board. Items to be detailed further in the operational Request for Proposal process include the following:

Facility

The retail facilities available to the RSEP and located at the transit center site are part of a larger building which houses the GRTMA offices and a bike support center (e.g. changing facilities, bike repair and products) operated by REI. The details of the RSEP storefront include:

- Approximately 183* square feet
- Designed for retail snack and specialty coffee sales
- Walk-up window accessible from the outside
- Exterior door with entrance to small lobby area
- Interior door that exits to the lobby of the transit building (space available for 2-3 small tables)
- Space for limited convenience items (e.g.: newsstand, take-out sandwiches and dinner items)

* Note that square footage calculations do not include common areas or washroom/bike changing room for purpose of rent/fees/tax calculations

There may also be space available for storage of items, such as a roll-out newspaper/coffee cart, surplus products and miscellaneous supplies.

Procedures

The operational procedures for this type of business are relatively straight-forward. As a part of developing the Request for Proposals to select an organization to operate the business, the RSEP Community Board, in conjunction with resources with similar industry experience, will further develop the roles, responsibilities and procedures based on industry standards. The accounting and payroll functions of the business will be the responsibility of the organization that ultimately operates the business on a day-to-day basis.

Food Preparation

As noted throughout this business plan, the cafe will offer mostly pre-packaged food items. Items that will require limited preparation include:

Coffee – Espresso will be available and will be made to order. In the Puget Sound coffee market, is it imperative that the cafe provide high-quality coffee made fresh for customers.

Bagels – The cafe may offer freshly toasted bagels with cream cheese.

Breakfast sandwiches – These are a popular food items and require limited preparation and the use of a microwave or other heating device.

Licensing and Permit Requirements

The licensing requirements for this type of business include:

- WA State Master Business License
- City of Redmond Business License
- King County Business License
- Department of Public Health Food Handling Permit

The operational partner will be required to secure and maintain the required business and food handling permits.

Staffing

Business hours for the cafe will likely be from 6:00am-7:00pm, Monday-Friday in order to take advantage of peak commuter hours. Operating hours will be adjusted, based on further analysis of the transit center site traffic patterns and the experience of the cafe staff once the cafe is fully operational.

Due to the size of the business, the staffing requirements for this business are minimal. The RSEP expects that it will require the oversight of an experienced manager to provide the day-to-day guidance, quality assurance and operational expertise required to successfully run the business. In addition to the full-time manager, at least two part-time staff will be required to run the business during peak times.

Exhibit 2 – Staffing Overview

Position	Responsibilities	Pay Rate
Manager	Responsible for overseeing the day-to-day operations of the cafe, including hiring, training and firing staff, purchasing, maintaining relationships with vendor partners, reporting cafe results to the Community Board, and ensuring the cafe is a safe and clean environment at all times.	\$35,000 annually + benefits
Counter Worker (part time)	Responsible for providing customers with friendly, prompt service, filling customer orders, preparing food and keeping the cafe area clean and stocked at all times. Also responsible for deliveries.	\$9 per hour
Assistant (part time)	Responsible for assisting the Manager and Counter Workers as needed. May include register duties, re-stocking products, cafe clean-up, and keeping collateral material stocked as needed. Also responsible for deliveries.	\$9 per hour

IX. SCALABILITY OF THE CONCEPT

Scalable Approach to Meet Community Needs

The RSEP model of community involvement is one that can eventually be replicated in other cities across the country. The RSEP views this cafe as the first step in developing an innovative, proactive, scalable approach for community social enterprise.

The RSEP has already received great interest from other communities locally and nationally about how to bring together a diverse group of stakeholders to use social enterprise as a way to meet vital community needs. Once this cafe is operational, the Community Board will explore ways to replicate this business concept in other communities on the Eastside, including development of branded products that can be sold via RSEP sites or other retailers.

Business Model Replication

The RSEP will seek out other synergistic opportunities for replicating this business model across the Eastside and Seattle areas. Target areas for expansion include:

- **Branding** – The RSEP will develop a distinct logo and overall brand identity and will seek out opportunities for branding products, such as bottled water, snacks and other retail items, that can be sold both at sites owned by RSEP and at other retailers in the community.
- **Sound Transit Sites** – Sound Transit owns many sites across the Puget Sound area, some of which have buildings similar to the facility at the Overlake Transit Center. There may be opportunities to replicate the business in other sites that have a high volume of commuters and little access to immediate products and services.
- **Monorail Sites** – The Monorail project in Seattle is currently under development and calls for the creation of community-based Monorail stations. Plans for these stations include providing commuter services, such as those being developed as a part of the RSEP. In addition, public scrutiny about the Monorail and community involvement in the Monorail process may make a socially-based business an attractive alternative for the Monorail board in deciding what type of business should be located in their stations.
- **Parks and Recreation Sites** – The Redmond Parks and Recreation Department (Parks Department), like many similar departments across the State, are looking at ways they can provide services, such as food and convenience items, in their parks as a way to better serve park users and generate revenue. The Parks Department has expressed an interest in exploring ways to partner with the RSEP to be a provider of these services.

Community Building Replication

- An aspect of the RSEP that has received much interest is the fact that a group of community stakeholders have come together to see if social enterprise is a viable way for them to proactively meet community needs. As all types of funding sources decline, communities are increasingly seeing the devastating effects of these cuts. As a result, many communities are interested in pursuing social enterprise as a way to make up some of the funding deficits but are unsure where to begin. RSEP has the potential to document and package this approach and use it as a means to generate further revenue by selling their lessons learned and methodology to other communities across the country.

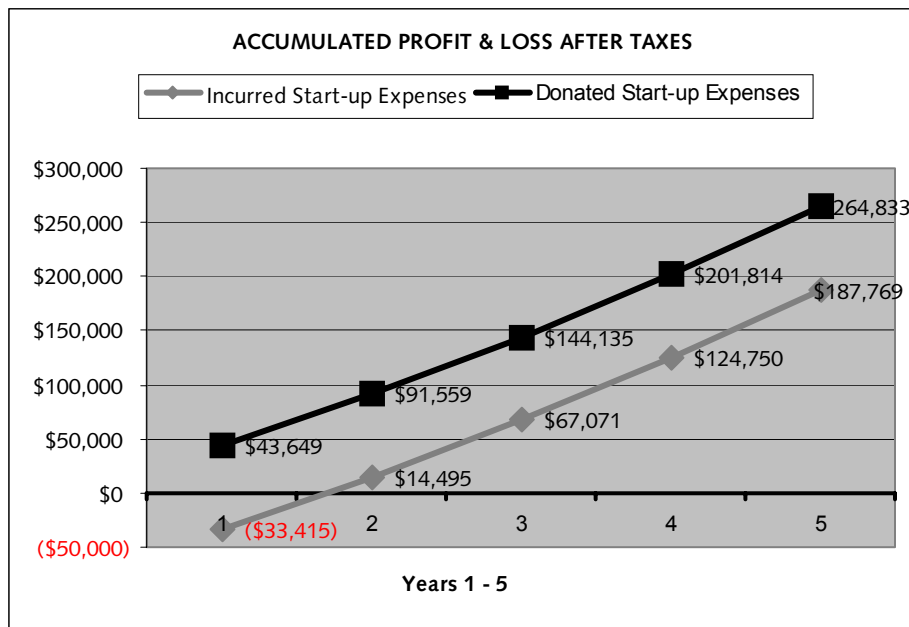
X. FORECASTING

Financial Statements

The following financial statements presented in this document are based on research of products, vendors and the experience of local businesses with similar concepts. Key factors in the financial model include:

- Relatively low fixed costs due, in large part, to the space being rent-free and the first two years of utilities paid via a grant. This business has very low overhead.
- Pre-made dinner sales will be an important predictor of profitability and should be a major focus of marketing activities. This financial model assumes selling 15 two-person meals and 10 four-person meals per day (70 total servings), sold via in-store pick-up and delivery. Pre-made dinners account for a significant portion of daily activity with 40% of sales and 31% of profits. Sales of this product should not dip below an average of 26 servings per day.
- Sales should focus on low cost, high-volume and quick service during peak morning and after-work periods coupled with fewer, higher-profit items for pick-up or delivery during the day.

Due to these key factors, the RSEP is projected to be cash-flow positive almost immediately. A major factor in the overall profitability of the business, and therefore, the amount of funds available for youth services, is the extent to which community businesses and individuals support the start-up costs of the business. The following graph provides an overview of the break-even analysis comparing the results if start-up costs are donated versus if the community does not donate the start-up costs.



Financing Requirements—Start Up Costs

The start-up costs for the RSEP have been estimated based on industry standards and quotes received by vendors who conduct the referenced pieces of work. The RSEP will not start implementation activities until the entire start-up cost of the business is capitalized by community donations. Complete financial details are provided in Appendix J.

Equipment

Espresso machine	\$1,500
ATM machine	\$3,000
Refrigeration units	\$2,345
Display cases, stands	\$1,061
Microwave & toaster combo	\$200
Cash Register	\$3,800

Delivery

Neighborhood Electric Vehicle	\$9,784
Cooler	\$200

Capital

Permits	\$1,250
Legal	\$2,500
Other professional services	\$10,000
Insurance	\$2,500
Build-Out, FF&E	\$5,000
Contingency (build-out, F&F)	\$500
Signage design & construction	\$5,000
WSST	\$924

Operations

Inventory	\$5,000
Working Capital	\$12,500
Marketing	\$5,000

Total Start-up Expense **\$77,064**

Notes: F&F = Furniture & Fixtures
WSST = Washington State Sales Tax (8.8%)

XI. MEASURES OF SUCCESS AND EXIT STRATEGY

Outcomes Measurement

The following are outcomes the RSEP hopes to achieve with this first, pilot business:

- Within Year 1, be a recognized model as an innovative, community-based social enterprise and respond to requests to share lessons learned.
- By the end of Year 1, identify and beginning planning opportunities for branding products with the RSEP brand.
- By Year 2, generate at least \$35,000 in profits to be returned to organizations that support Redmond's youth.

Exit Strategy

The RSEP will continue to explore potential exit strategies. Options currently under consideration include:

- Development of a formal organization to house the business if replication and branding makes a Community Board structure impractical
- Closure of the business if profits do not exceed \$20,000 annually by Year 2
- Refocus of the business if the Transit Center site proves to be unprofitable

Next Steps

The RSEP has several next steps to take towards the formalization of the organizational structure and development of the business plan. Highlights of these steps and approximate timeframes include:

- **Develop marketing plan** – A proposal has been submitted to obtain funding for a marketing plan, including branding and identity development. Assuming funding is procured in June, a request for proposals for the marketing plan will be developed and released in the third quarter of 2004.
- **Procure start-up funds** – Beginning immediately, the RSEP oversight committee and project team will continue efforts to procure all of the start-up funds required to initially capitalize the business. Their goal is to find sources of donated funds, equipment and expertise to fully fund the business start-up.
- **Develop Request for Proposal for business operator** – Beginning in June 2004, the RSEP will start the development of a Request for Proposals for an entity to operate the business. This process will include the development of the roles and responsibilities of the business operator and the RSEP Community Board.
- **Formalize Community Board and Donor Advised Fund** – This process will also begin in June 2004 and will entail solidifying the roles and responsibilities of Community Board members, identifying and selecting board members and completing necessary contracts with the Seattle Foundation to set up the Donor Advised Fund.

Conclusion

Perhaps one of the greatest strengths of the RSEP is that it is an approach to meeting community needs which brings together many sectors. By bringing together stakeholders from the education, faith-based, corporate, small business and government sectors, the RSEP has developed a business concept that has broad support and interest from the community and from the very employers who are the closest in proximity to the cafe site. The cafe outlined in this business plan is only the start of what will surely become a much larger project for Redmond and a model for communities around the country.